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C O N F I D E N T I A L SECTION 01 OF 03 PANAMA 000234

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SUBJECT: PANAMANIANS PONDER BOLIVARIAN CIRCLES AND  
VENEZUELAN INFLUENCE IN DOMESTIC AFFAIRS

REF: A. 04 PANAMA 2452

[B](#). 04 PANAMA 2937

[C](#). 04 PANAMA 2661

[D](#). 04 PANAMA 2176

Classified By: Ambassador Linda E. Watt for reasons 1.4 (b) and (d).

#### SUMMARY

[1](#). (C) Despite recent press reports and speculation about Venezuelan-inspired Bolivarian Circles in Panama, threatening language from Venezuelan president Chavez that Venezuelan "terrorists" are using Panama as a base, and Panama-Venezuela discussions about oil and other commercial links (to be reported Septel), ordinary Panamanians do not believe Chavez's mischief-making could imperil Panama's domestic stability. While popular consensus derides his Bolivarian Circles as toothless, high GOP officials are less sanguine. Minister of the Presidency Ubaldo Real recently shared his fears with the Ambassador that the GOP's upcoming reform proposals (especially on social security or CSS) and long-standing public discontent with social and economic inequality, poverty, stagnant living standards, and underemployment could provide tinder for extremist groups to exploit. Embassy believes that Chavez has little support in Panama, but a prolonged crisis (such as violent protests over social security reform) could provide the Bolivarian Circles (in alliance with small but well-trained Panamanian leftist groups) with an opening to cause problems for the Torrijos government. End Summary.

#### Bolivarian Circles in Panama

[2](#). (C) A December 13, 2004 article in La Prensa, the largest circulation Panamanian daily, posited the presence of up to 10 apparently subversive Bolivarian Circles in Panama, with nominal allegiance to and apparently linked financially with Hugo Chavez's "Bolivarian Revolution." (See Reftel) (Note: Venezuelan defense attach Javier Gamboa, who departed Panama about five months ago, reportedly bragged about being a proponent of the Circles. According to unconfirmed reports, the Circles began in Panama several years ago.) The La Prensa article identified former El Siglo newspaper co-owner Angel Padilla Beliz and Panamanian lawyer Fernan Casis as Circle leaders but gave no hint about the extent of the group's membership or influence.

#### Potential Trouble?

[3](#). (C) Most Panamanian government (GOP) officials and ordinary Panamanian citizens discount the ability of the Bolivarian Circles to influence domestic politics and widely deride Venezuelan president Hugo Chavez as a "loco" and a "payaso" (clown), but top policy makers are not as sure. On Jan. 18, Minister of the Presidency Ubaldo Real told Ambassador Watt that the GOP is worried about Chavez's potential to stir up trouble, especially when the GOP unveils its social security reform proposals (expected before the end of March). Real underscored that the Torrijos Administration's economic and social policies are designed to support democracy and stability by fighting the poverty and hopelessness that are now facts of life for 40% of the Panamanian population. Nonetheless, Real and his colleagues are acutely aware that underlying popular discontent over economic inequality could make fertile ground for Panamanian leftist groups seeking to stir up trouble. (Note: DAO Panama will report GOP views regarding Bolivarian Circles and Venezuelan influence in Panama via Septel. The uprising in Bocas del Toro in October 2004 is an example of local unrest that the Circles could exploit. See Reftel C. End Note.)

#### Lawmakers Downplay Bolivarian Potential

[4](#). (C) Several prominent Panamanian legislators rejected any notion that Bolivarian Circles could cause harm in Panama. One legislator noted that the Circles are small, ineffectual, lack cohesion, and have no popular support. Another

legislator agreed that Panamanian union leaders may be receiving Venezuelan money, but argued that did not matter much because those union leaders would oppose the Social Security reforms regardless of any encouragement from Venezuela.

#### Security Officials Downplay Venezuelan Influence

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15. (C) Recent speculation has focused on the possibility that Venezuela is gaining influence among the growing number of Panamanian Public Force (PPF) officers being trained in Venezuela. Embassy discussions with recently returned Panamanian National Police (PNP) officers suggest that exposure to Venezuela has not necessarily increased their regard for Chavez. Even their Venezuelan instructors reportedly badmouthed Chavez in front of Panamanian police officers. One such officer recently told PolOff that a Venezuelan colonel had called Chavez's Bolivarian Circles "una locura" (insanity). (Comment: While dozens of PPF officers have been trained in Venezuela over recent years, among them eight PNP commissioners or sub-commissioners, the U.S. and other Latin American countries have historically exercised greater influence within Panama's security forces. End Comment.)

#### Panama Views Venezuela in Economic Terms

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16. (C) Panama and Venezuela have developed a number of new economic links during the past six months but Panamanian MFA officials reject the idea that those largely commercial links could give Venezuela leverage over Panama. Instead, they portray Venezuela as an "unreliable" partner. (Note: The incoming Torrijos GOP was not overly concerned when Venezuela recalled its ambassador following outgoing-President Moscoso's August 2004 pardon of four anti-Cuban prisoners, including one, Luis Posada Carriles, who is wanted in Venezuela for a 1973 attack on a Venezuelan airliner. See Reftel D. End note.) Since that time, the GOP has joined the former Group of Three (Venezuela, Colombia and Mexico,) now G-4, a regional economic and diplomatic bloc. Panama's decision to join the G-4 reflects a broader strategy to forge stronger economic and commercial ties in the region. (See Reftels A and B.)

#### Oil Pipeline or Pipe Dream?

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17. (C) Panama and Venezuela are exploring the possibility of sending Venezuelan crude oil through an existing trans-Isthmus pipeline across Panama to the Pacific for Asian (mostly Chinese) customers. (Note: Chavez claims that his purpose in pursuing the project is to diversify his customer base away from the United States. The economic feasibility of the project seems less certain, but we leave it to Embassy Caracas to make that judgment. End note.) While it may be true, as some have suggested, that the oil pipeline idea is just a smoke screen to mask Chavez's "true" intention of using the Bolivarian Circles to destabilize Panama, Panamanian security officials view the diplomatic discussions as purely commercial, involving no potential Venezuelan threat to national security.

18. Panama's MFA Foreign Relations Advisor Nils Castro believes Venezuela has limited value as a trading partner. Castro recently told ECON Counselor that Venezuela's sole value to Panama is its petroleum, as Venezuelan investment in Panama is relatively small. That attitude has been reflected in recent Panamanian apathy toward Chavez's tiff with Colombia.

#### Comment

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19. (C) Many Panamanians believe that the Torrijos government is Panama's last hope for a viable democracy. Average Panamanians view their country as small and weak and its political elite as venal and indifferent to the country's problems. The Bolivarian Circle's propaganda could capitalize on that underlying malaise.

110. (C) Bolivarian circles conceivably could gain momentum and political influence in the event of a prolonged, general crisis in Panama. They are currently too inconsequential and lack the numbers to initiate such a breakdown. More immediately, the GOP is concerned that Venezuelan money might fund well-trained Panamanian leftist groups to organize violent street demonstrations when CSS reforms are announced (probably in the next month or so). And Chavez may well hope to bring Panama into his "orbit." While Panama is trying to forge closer commercial ties with Venezuela and other countries in the region, GOP officials discount any long-term convergence of Panamanian and Venezuelan political, economic or ideological interests, aside from the economic benefits that the GOP might be able to extract from capital-intensive

GOV energy investments, if they should come about. Indeed, Chavez's main leverage in Panama is the financial power which petroleum puts in his hands. (Note: We recently received unconfirmed reports that Chavez has offered Panama concessionary prices on oil in return for Panama's support for Cuba on United Nations votes. End Note.)

11. (C) Chavez is well acquainted with Panama, having spent 18 months here following his release from prison after his failed 1992 coup, but his influence in Panama is practically nil. Panamanians widely deride him as a lunatic for his improbable proposals and claims, for instance, his 2004 suggestion that he would dispatch Venezuelan MIGs to defend the Panama Canal against terrorists. More recently he has made veiled threats to Panama, claiming that hundreds of Venezuelan "terrorists" (including several of his former political opponents) are using Panama as a base. He implied that the U.S. doctrine of preemptive war (such as in Iraq) may also give him the right to launch anti-Chavista attacks against opponents in Panama or elsewhere.

12. (SBU) Embassy Panama defers to the perspective of Embassy Caracas on Venezuelan aims in Panama, on oil and other commercial links, or on the mischief-making potential of Bolivarian Circles.

WATT